Energy Consumers Alliance of New England

doing business as





September 10, 2007

Chairman Paul J. Hibbard Commissioner W. Robert Keating Commissioner Tim Woolf c/o Mary L. Cottrell, Secretary Department of Public Utilities One South Station, 2nd Floor Boston, MA 02110

Honorable Commissioners.

The Massachusetts Energy Consumers Alliance (Mass Energy) lauds the Department of Public Utilities for opening a discussion of the pros and cons of revenue decoupling for the Commonwealth's electric utilities with its straw proposal in the Investigation DPU 07-50.

Mass Energy has a deep commitment to sustainable energy and an even longer history in promoting energy affordability in the state. (Commissioners unfamiliar with our work can learn more by reading the enclosed description of our organization's mission and key programs.) From our unusual perspective as an organization that promotes sustainability and affordability on behalf of both the environment and consumers, we see a critical need at this point in history, to quickly, yet carefully, ramp up the adoption of energy efficiency technologies. For energy consumers, energy efficiency is the least expensive of the least-cost alternatives to energy supply, and it lowers energy costs for years to come. For environmental protection, especially to avoid the extraordinarily expensive and potentially life-threatening risks of global warming, energy efficiency even above the purely economic cost-effectiveness tests should be our first line of defense. We also believe that many forms of distributed generation would be given a fairer test in the marketplace with decoupling than under the current rules of the game.

Yet the risks to consumers of poorly designed or implemented revenue decoupling should be carefully examined. If possible, revenue protections should be limited to those revenue losses directly attributable to energy efficiency and conservation, to avoid charging customers for losses caused by variations in weather and larger economic factors. Double counting of the effects of energy efficiency efforts should be avoided. And the DPU should factor in the fact that greater amounts of energy efficiency would reduce risk to distribution companies.

We hope that the Commission will engage the assistance of experts in decoupling, to ensure the legal details of decoupling are fully vetted on behalf of the public good.

Larry Chretien, Executive Director Omay Elphick, Deputy Director Michele Bilodeau, Fiscal Director To optimally incentivize energy conservation, distributed generation, and demand response, the Commission might consider block rates or another mechanism for consumers to be a complement to decoupling revenues for the distribution company. It is critical that consumers' rates remain volumetric to incentivize conservation, but most consumers "feel" that incentive much less keenly than low-income customers, and perhaps should pay a higher price for their luxury uses than the poor pay for basic human needs. To compensate, and to make prices work to incentivize conservation, higher rates for profligate users may be useful. Again, such a change must be made carefully, with the lowest rung set in a way that reflects the extremely poor and wasteful state of much low-income housing. At the same time, if we are going to decouple and establish new rate structures, we should make sure that high-use properties, particularly those that house low-income folks, are given high priority in the queue for energy efficiency services.

Thank you for considering these issues as you explore ways to remove disincentives to energy efficiency and make way, hopefully, for an unprecedented, yet overdue concerted effort to increase energy efficiency to the levels it will take for the Commonwealth to become truly sustainable—for the environment and for all consumers. Massachusetts utilities have an illustrious record of providing quality energy efficiency programs compared to the rest of the nation, but at a level insufficient, so far, to reach the levels needed. We thank you for your efforts to address these issues.

Sincerely,

Larry Chretien
Executive Director

e.c. to dpu.efiling@state.ma.us encl.: ECANE fact sheet